

# Minor League Baseball Feasibility Study

June 15, 2012





June 15, 2012

Mr. Tony Caudle  
Deputy City Manager  
City of Wilmington  
102 North Third Street  
Wilmington, NC 28402-1810

Dear Mr. Caudle:

Conventions, Sports & Leisure International, in conjunction with National Sports Services, BKP Consulting and 360 Architecture, is pleased to present this report addressing the feasibility of minor league baseball and a new ballpark in Wilmington, North Carolina. The attached report summarizes our research and analyses and is intended to assist potential project stakeholders in making informed decisions.

The information contained in this report is based on estimates, assumptions and other information developed from research of the market, knowledge of minor league baseball, knowledge of the sports facility industry and other factors, including certain information you, other project stakeholders and third parties have provided.

All information provided to us was not audited or verified and was assumed to be correct. Because procedures were limited, we express no opinion or assurances on the achievability of projected information contained herein and this report should not be relied upon for that purpose. There will be differences between projected and actual results as events and circumstances frequently do not occur as expected, and those differences may be material. Our project team will bear no responsibility to update this report for events and circumstances occurring after the date of this report.

Mr. Tony Caudle  
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We sincerely appreciate the opportunity to assist you with this project, and would be pleased to be of further assistance in the interpretation and application of the study's findings.

Very truly yours,

CSL International

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# Executive Summary

In February 2012, the City of Wilmington (“City”), Mandalay Baseball Properties, LLC (“Mandalay”) and Atlanta National League Baseball Club, Inc. (“Atlanta Braves”) entered into a six (6) month Memorandum of Understanding (“MOU”) to actively explore and enter into exclusive negotiations regarding a public-private partnership to plan, finance, develop and construct a ballpark to serve as the home of a full-season Class A franchise that Mandalay and the Atlanta Braves would jointly acquire and relocate to Wilmington.

As a part of this process, the City retained a multi-disciplined team with extensive experience in minor league baseball feasibility and planning lead by National Sports Services (Co-Project Manager) and BKP Consulting (Co-Project Manager) and includes sports facility advisors Conventions, Sports & Leisure International (Sport Facility Feasibility Advisor) and 360 Architecture (Sports Facility Architect) to serve as an independent advisor to the City in identifying and evaluating sites, preparing construction cost estimates, advising on the overall feasibility, assisting in the establishment of business terms and developing next steps.

This Executive Summary highlights the key findings from a report assessing the feasibility of ballpark development in Wilmington. The study is designed to assist community leaders and project stakeholders in making informed decisions regarding ballpark development and the full report should be read in its entirety to obtain the background, methods and assumptions underlying the findings.

### Market Research

In order to evaluate the feasibility of minor league baseball in Wilmington, the consulting team reviewed project documentation, toured potential sites, hosted public forums, met with key project stakeholders, analyzed local market demographic and socioeconomic characteristics, analyzed industry trends, analyzed competitive and comparable facilities, interviewed potential ballpark users and completed surveys of area residents and companies. The following are key market research findings:

- Minor league baseball in Wilmington had a steady presence during the first half of the twentieth century (from 1900 to 1950), but has only had a temporary presence in the modern area of baseball with the Wilmington Waves (2001) and the Port City Roosters (1995 to 1996) because of the lack of an appropriate facility in an accessible location.
- It is anticipated that the market area for a full-season Class A Carolina league team would consist of a primary market within 15 miles (255,000 residents) where upwards of 60 percent of attendance would be drawn; a secondary market within 30 miles (348,000 residents) where up to 90 percent of attendance would be drawn; and a tertiary market that includes an eight-county

area surrounding Wilmington (779,000 residents) as well as tourists to the Cape Fear region.

- Relative to the 48 full-season Class A markets, Wilmington ranks in the bottom half in terms of population (42<sup>nd</sup>), median age (39<sup>th</sup>), median income (35<sup>th</sup>) and corporate base (42<sup>nd</sup>).
- While ranking in the bottom half of demographic and socioeconomic categories, the Wilmington market has a strong regional draw with military bases and tourism related to beach activities which serve to enhance the market dynamics.
- There are numerous examples of successful Class A minor league teams playing in modern ballparks in markets similar in size or nearby Wilmington including the Bowling Green Hot Rods, Cedar Rapids Kernels, Fort Wayne Tin Caps, Great Lakes Loons, Greensboro Grasshoppers, Greenville Drive, Myrtle Beach Pelicans, Peoria Chiefs, Rome Braves, West Virginia Power and Winston-Salem Dash.
- Key statistics from Class A minor league baseball teams operating in markets most similar or proximate to Wilmington include:
  - The median population within 30 miles of comparable ballparks was approximately 402,000, compared to 358,000 in Wilmington.
  - The average total seating capacity at ballparks in comparable markets was 6,142 seats, ranging from a low of approximately 4,500 seats to a high of 8,100 seats.
  - The average comparable market minor league baseball team reported average attendance of 3,796 per game, ranging from a low of 2,449 per game to a high of 5,612 per game.
  - Public funding participation for comparable Class A ballparks averaged 51 percent of the total costs while the remaining 49 percent of funding was derived from various private sources. In comparison, the overall minor league baseball average ballpark funding was 59 percent public and 41 percent private funding.
  - The majority of ballparks in comparable markets are publicly owned and all are privately operated by the minor league team.
  - Lease terms at comparable ballparks averaged 23 years, with lease term commitments ranging from 18 to 40 years. Most leases provided for renewal or extension options.
  - Generally, comparable minor league baseball teams retain all or a large majority of revenue generated by the ballpark and pays all or the large majority of ballpark operating expenses. In some cases, the public sector was responsible for paying utilities and contributing to a ballpark capital reserve fund.



- Comparable ballparks hosted an average of 153 events each year including minor league baseball, amateur baseball (college, high school or youth), concerts, graduations, religious events, parking lot events and other events.
- A total of 987 surveys were completed with local area residents and companies to measure potential support for a new minor league ballpark. Key survey findings included:
  - Approximately 62 percent of survey respondents indicated a positive attitude towards the potential development of a new minor league ballpark in Wilmington.
  - The majority of respondents had some level of agreement that a new minor league ballpark would enhance the quality of life of area residents (67 percent), a new ballpark would enhance the area's visitor base (64 percent), a new ballpark would spur private development (64 percent), a new ballpark would increase Wilmington's regional and national exposure (61 percent), and a new ballpark would benefit local residents by increasing the tax base (60 percent).
  - Events most likely to be attended by survey respondents in a new minor league ballpark include concerts, food festivals, private functions/receptions, minor league baseball games, holiday celebrations, movie nights, professional soccer matches, and college baseball games
  - Approximately 72 percent of respondents indicated some level of interest in purchasing tickets to a minor league baseball game in Wilmington.
  - Approximately 44 percent of survey respondents interested in buying tickets to a minor league baseball game in Wilmington would likely purchase single game ticket (to an average of 3.8 games per season). Approximately 41 percent would purchase partial season tickets plans ranging from 10 to 35 games, and 15 percent would purchase full season tickets (70 games). Overall, survey respondents indicated they would buy an average of 2.9 tickets per game.
  - Among participants who indicated no interest in attending minor league baseball games, most commonly cited reasons included rather do something else (80 percent), no interest in baseball (52 percent), traffic congestion (40 percent) and the cost to attend (34 percent).
  - Among corporate respondents approximately 62 percent have an interest in sponsorship or advertising opportunities at a new minor



league ballpark. Approximately 29 percent of corporate respondents indicated an interest in purchasing a luxury suite for the entire season, while 80 percent were interested in purchasing a luxury suite on a single-game basis.

- Approximately 31 percent of respondents who indicated an interest in purchasing tickets for a new minor league baseball team in Wilmington expressed some level of interest in purchasing club seats for the entire season, while approximately 69 percent were interested in purchasing club seats on a single-game basis.
- The greater downtown area was the most preferred site for a new ballpark followed by the MLK Jr. Parkway corridor and the 17th Street corridor.
- Approximately 48 percent of local respondents indicated some level of support for a public/private partnership to fund the cost of ballpark development, while approximately 39 percent would not support such a partnership.
- Upwards of 53 percent of local survey respondents indicated they were willing to pay up to \$2 per month to help fund the construction of a new ballpark in Wilmington.

### Utilization

Based on the result of the market analysis, the table on the following page presents estimates regarding the number and type of events that are expected to be hosted at a new ballpark in Wilmington and associated attendance levels.

Overall, it is estimated that a new ballpark in Wilmington could host 130 events in its inaugural year of operations and draw 310,000 paid attendees and 255,600 turnstile attendees. Upon reaching a stabilized year of operations in year five, it is estimated the ballpark could host 150 events a year and draw 272,100 paid attendees and 231,300 turnstile attendees.

## Estimated Annual Events & Attendance Proposed Wilmington Ballpark

Event Type	Events	Paid Attendance		Turnstile Attendance	
		Average Attendance	Total Attendance	Average Attendance	Total Attendance
Wilmington Braves	68	4,000	272,000	3,200	217,600
College Baseball	4	750	3,000	750	3,000
H.S. Baseball	10	500	5,000	500	5,000
Other Sports	2	1,500	3,000	1,500	3,000
Concerts	1	4,500	4,500	4,500	4,500
Miscellaneous	45	500	22,500	500	22,500
<b>Total</b>	<b>130</b>	<b>2,385</b>	<b>310,000</b>	<b>1,966</b>	<b>255,600</b>



		Total Events	Total Paid Attendance	Total Turnstile Attendance
Inaugural Year	Year 1	130	310,000	255,600
	Year 2	140	302,650	248,250
	Year 3	150	299,300	251,700
	Year 4	150	285,700	238,100
Stabilized Year	Year 5	150	272,100	231,300

## Building Program & Cost Review

Based on the results of the market analysis, the following building program has been recommended for a new ballpark in Wilmington:

- 6,000 total seats;
- 12-14 private suites;
- 200-250 club seats;
- Club lounge;
- Picnic areas; and,
- Kid's play zone.

The program recommended herein based on the market analysis is similar to the program requested by the Braves and Mandalay, which called for up to 16 private suites and approximately 400 club seats and approximately 6,200 total seats. In general, the program outlined by Mandalay and the Braves meets or exceeds all Professional Baseball Association requirements and is considered reasonable for a new Class A ballpark in Wilmington.

A limited review of the estimated cost of the ballpark was also prepared, including a comparison of the proposed program to other recently built ballparks. Mandalay prepared a preliminary cost estimate that indicates their program would cost approximately \$36 million in hard and soft costs, before accounting for land and infrastructure, which would likely push the total to \$42 million or more. A comparison of this budget to other recently built ballparks indicates that there may be some opportunities for cost savings either from scope reduction/refinement or specific cost estimates based on refined program definition. This could become a critical step in closing any funding gap that may exist.

Additional work will be necessary to select a site, refine the building program and complete a detailed budget analysis to determine the actual budget for a proposed Class A ballpark in Wilmington.

### Financial Projections

For purposes of this study, the following key assumptions were made in estimating the financial operations of a minor league baseball team and ballpark:

- A Carolina League baseball team affiliated with the Atlanta Braves will serve as the primary tenant in the ballpark for an initial lease term of 20 years with up to two (2) five year renewal options;
- The team and ballpark will be managed by Mandalay Baseball Properties and will be aggressively marketed;
- A new ballpark will be owned by the City of Wilmington, or some other public entity, and will be exempt from property taxes. However, due to a long-term lease, it is assumed that the Braves/Mandalay would make property tax payments to the City and County year;
- The minor league baseball team would retain all revenues and pay all expenses associated with ballpark operations (with the exception of major maintenance and capital repairs, which would be the responsibility of both the team and the City);
- The minor league baseball team would pay annual rent in the amount of \$400,000, adjusted annually for changes in the Consumer Price Index.

Based on these key assumptions and the results of the market analysis, the table on the following page summarizes the estimated financial operations of minor league team and new ballpark during its first five years, representing initial operations through mature operations.

### Estimated Revenues and Expenses Wilmington Braves

	<div style="display: flex; justify-content: space-between; align-items: center;"> <span>Inaugural Year</span> <span>←</span> <span>→</span> <span>Stabilized Year</span> </div>				
	2014	2015	2016	2017	2018
<b>REVENUES</b>					
Ticket Sales, net	\$2,656,465	\$2,614,526	\$2,583,992	\$2,527,390	\$2,465,067
Food and Beverage, net	1,040,577	1,031,423	1,072,645	1,041,191	1,038,927
Merchandise, net	44,358	43,048	43,049	41,368	41,078
Parking, net	40,375	46,927	52,771	52,771	52,771
Premium Seating, net	220,877	227,503	234,328	241,358	248,599
Sponsorships, net	1,260,000	1,297,800	1,336,734	1,376,836	1,418,141
Naming Rights, net	270,000	278,100	286,443	295,036	303,887
Other	125,000	128,750	132,613	136,591	140,689
<b>TOTAL REVENUES</b>	<b>5,657,651</b>	<b>5,668,077</b>	<b>5,742,574</b>	<b>5,712,541</b>	<b>5,709,159</b>
<b>EXPENSES</b>					
Front Office	1,500,000	1,545,000	1,591,350	1,639,091	1,688,263
Ballpark Operations	1,200,000	1,236,000	1,273,080	1,311,272	1,350,611
Game Day Expenses	578,000	595,340	613,200	631,596	650,544
Baseball Operations	500,000	515,000	530,450	546,364	562,754
Ballpark Rent	400,000	412,000	424,360	437,091	450,204
Property Taxes	350,910	342,137	333,365	324,592	315,819
Capital Reserve	87,500	90,125	92,829	95,614	98,482
<b>TOTAL EXPENSES</b>	<b>4,616,410</b>	<b>4,735,602</b>	<b>4,858,633</b>	<b>4,985,619</b>	<b>5,116,677</b>
<b>NET INCOME FROM OPERATIONS</b>	<b>\$1,041,241</b>	<b>\$932,474</b>	<b>\$883,941</b>	<b>\$726,923</b>	<b>\$592,482</b>
<b>OPERATING MARGIN (1)</b>	<b>18%</b>	<b>16%</b>	<b>15%</b>	<b>13%</b>	<b>10%</b>

(1) Before debt or costs associated with franchise acquisition, start-up or relocation costs.

It is anticipated that a minor league team and ballpark could operate profitably before any interest, taxes, debt, amortization or other expenses. Operating margins are estimated to be approximately 18 percent in the initial year of operations before stabilizing at approximately 10 percent by the fifth (stabilized) year of operations.

Assuming total investment costs by the Braves/Mandalay of \$12 million for franchise acquisition, start-up costs and relocation costs, it is estimated that the Braves/Mandalay could realize an approximate 7.1 percent return on their investment over a 20-year term of the initial lease period (before renewal options).

### Economic and Fiscal Impacts

While many of the perceived benefits of a minor league baseball team and ballpark are intangible including regional and national media exposure, affordable entertainment and leisure opportunities for local residents and enhanced community pride, the construction and operation of the ballpark can provide quantifiable benefits to the City of Wilmington and New Hanover County. These quantifiable benefits often serve as the “return on investment” of public dollars that are contributed to develop these facilities. Quantifiable measurements of the effects that minor league baseball could have on the Wilmington economy are characterized in terms of economic impacts and fiscal impacts.

Over a 20-year period, a minor league baseball team and ballpark are estimated to generate \$168 million in cumulative new direct spending in the City of Wilmington. Through multiplier effects, new direct spending associated with the team and ballpark is estimated to generate \$242 million in new total output (direct, indirect and induced spending) and support 3,481 new one-year equivalent full and part-time jobs that generate \$74 million in new personal earnings.

Within New Hanover County, a minor league baseball team and ballpark are estimated to generate \$145 million in cumulative new direct spending over a 20-year period. Through multiplier effects, new direct spending associated with the team and ballpark is estimated to generate \$209 million in new total output (direct, indirect and induced spending) and support 2,931 new one-year equivalent full and part-time jobs that generate \$62 million in new personal earnings.

Overall, the minor league team and ballpark are estimated to generate a cumulative amount of nearly \$19.3 million in new revenues to the City over a 20-year period through ballpark lease payments, sales taxes, property taxes, occupancy taxes and admission fees. The County is anticipated to receive \$5.4 million in cumulative new revenues over 20 years including new property tax, sales tax and occupancy tax revenues.

### Funding

Historically, the development of minor league ballparks has generally involved varying degrees of public-private funding partnerships. On average, public sector funding sources have accounted for 59 percent and private sector funding sources have accounted for 41 percent of minor league ballpark developments since 1995. Funding sources have included sales tax revenue, incremental property tax revenues, lodging tax revenues, restaurant tax revenues, grants, ballpark rent, team contributions, ballpark revenues and private contributions.

Should City officials decide to seek a public funding contribution similar to industry averages, the following hypothetical funding plan was developed assuming total ballpark development costs of \$42 million.

**Hypothetical Funding Scenario  
To Approximate Average Public/Private Funding Participation  
In Minor League Baseball**

**NOTE:**

*This is a hypothetical funding scenario. Actual funding will depend on negotiations and availability of funds.*

**PRIVATE:**

Rent - \$400,000 per year	\$5,400,000	13%
Property Tax Payments	\$3,800,000	9%
Other Private Sources	<u>\$7,400,000</u>	<u>18%</u>
<b>TOTAL PRIVATE</b>	<b>\$16,600,000</b>	<b>40%</b>

**PUBLIC:**

City Contribution	\$17,200,000	41%
Other Governmental Aid	<u>\$8,200,000</u>	<u>20%</u>
<b>TOTAL PUBLIC</b>	<b>\$25,400,000</b>	<b>60%</b>

<b>TOTAL</b>	<b><u>\$42,000,000</u></b>	<b><u>100%</u></b>
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Based on an assumed project cost of \$42 million, the hypothetical funding plan assumes the public sector would pay \$25.4 million, or 60 percent, of project costs, consisting of a City contribution and other governmental aid. This example assumes the private sector would contribute \$16.6 million in project costs through rent payments of \$400,000 per year by the Braves/Mandalay, annual property tax payments made by the Braves/Mandalay and an undefined contribution of \$7.4 million by other private sources. These sources could include revenue realized from adjacent real estate development associated with ballpark development, free or discounted land contribution, contribution by UNC-Wilmington (to become a tenant in the ballpark), corporate fundraising, private philanthropy, foundation grants, other sources or through value engineering the ballpark building program to reduce the overall project costs.

In addition, it is important to consider the establishment of a capital reserve fund to set aside funds for future capital repairs and improvements that will be required over the lifetime of the facility. As discussed previously, industry standards call for an approximate 0.5 percent of hard and soft project costs to be set aside each year for these future expenditures. Based on an estimated hard and soft cost of approximately \$35 million, this would result in an additional \$175,000 per year in funds required to be set aside in the capital reserve fund. For purposes of this analysis, it is assumed the City and team would split this cost. The City could fund its contribution from up to a \$1.00 surcharge per ticket sold for ballpark events.

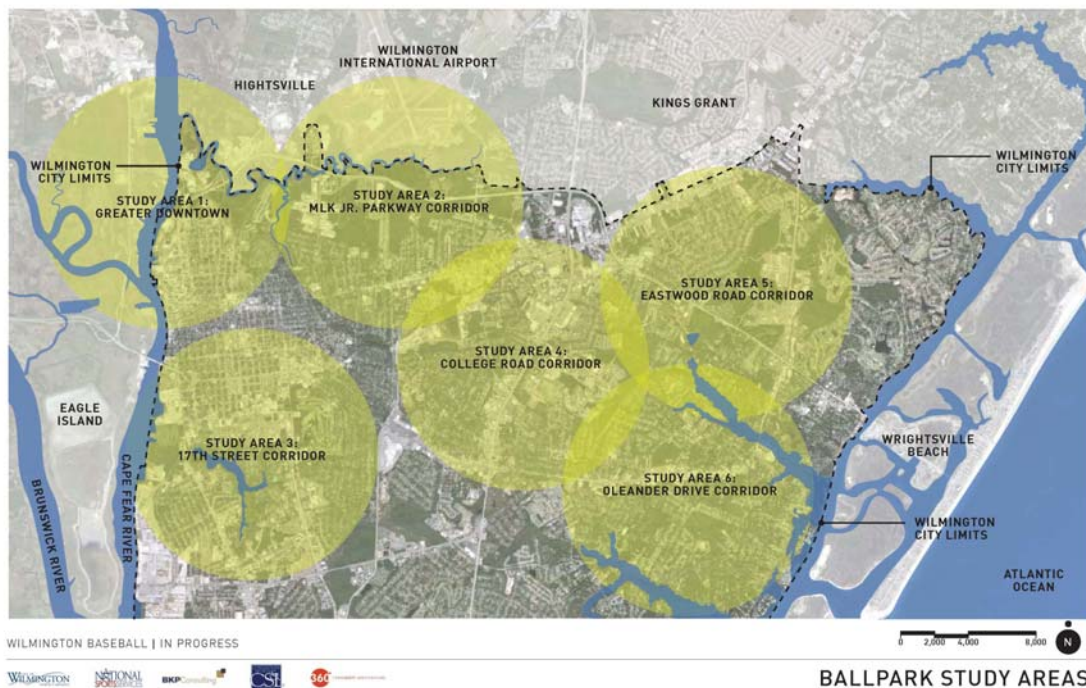


### Site Analysis

Minor league ballparks are built at a variety of sites. Each ballpark is unique in that to be successful, it must be sited in the location that allows the team and the community to best utilize it, while building on those community assets already in place. These can include both urban and suburban sites.

A ballpark constructed in an urban environment may take advantage of proximity to dining and retail, adjacency to other cultural attractions, shared parking throughout a greater downtown area, and can typically be found to be a part of a larger urban rejuvenation. Ballparks built in a suburban environment may spur ancillary development, typically have good visibility and access to major road infrastructure, and generally provide the necessary parking on-site.

The site analysis reviewed six designated study areas as determined by the City of Wilmington. The study areas cover a wide range of districts, nodes, and corridors within the City of Wilmington. They include both urban and suburban locations, and involve locations that are within an existing area of development, as well as some that are not as developed.



Each study area was reviewed independent of one another at a macro level. From that macro level analysis, the three study areas that had the highest level of suitability were reviewed at a micro (more detailed) level, and scored against one another. The results are a ranking of the three study areas, with the highest ranked study area being the most suitable area for a ballpark development.



## Executive Summary

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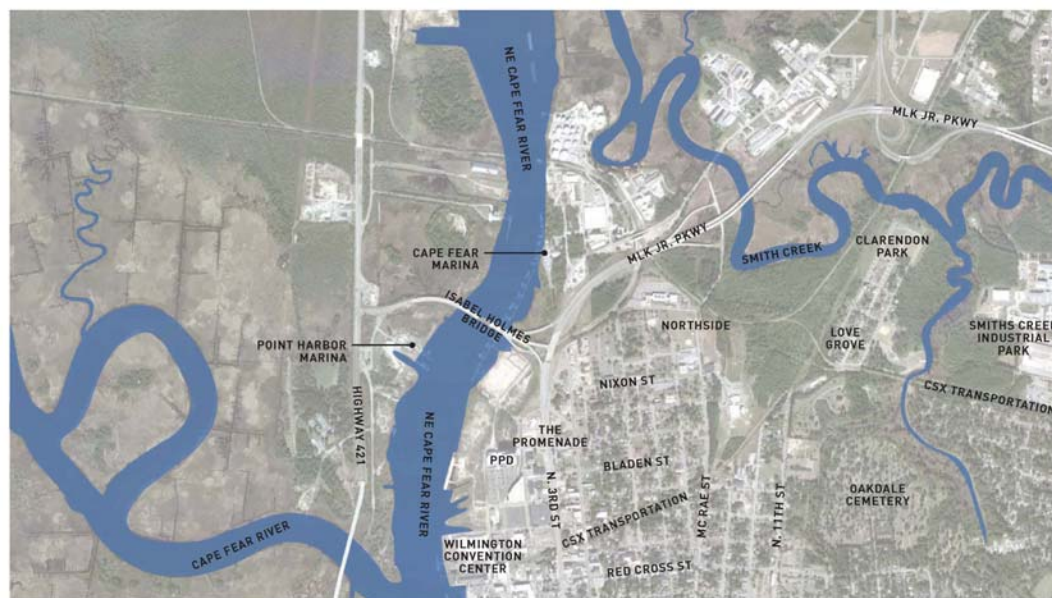
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At the conclusion of the macro and micro level analysis, the following three sites scored the highest (highest ranking being considered the most suitable area for a ballpark development).

1. Greater Downtown
2. Eastwood Road Corridor
3. MLK Jr. Parkway Corridor

The results of the micro and macro level site analysis present the **Greater Downtown** area as the most desirable for a ballpark development. Key factors in this analysis include:

- Proximity of potential sites to downtown dining, hotels, and entertainment.
- Potential to enhance existing and currently planned development, as well as future development.
- Access from MLK Jr. Parkway in and out of the downtown area.
- Existing public transit serves several potential sites, as well as walkability to adjacent development.
- Availability of several ancillary parking opportunities (public garages, public lots, on-street parking).
- General availability of utility infrastructure to potential sites within the area.
- The ability to best market the ballpark within the community and region for other uses which may include concerts, festivals, collegiate and high school athletic events, and community functions.



WILMINGTON BASEBALL | 29 MAY 2012



STUDY AREA 1: GREATER DOWNTOWN